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C O N F I D E N T I A L SECTION 01 OF 03 MADRID 000348

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DEPARTMENT FOR EUR AA/S VOLKER AND EUR/WE

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TAGS: [PGOV](#) [PREL](#) [SP](#)

SUBJECT: SPANISH ELECTION WRAP UP: ZAPATERO SET TO FORM
SPAIN'S NEXT GOVERNMENT AS PARTIDO POPULAR REVAMPS FOR THE
FUTURE

REF: MADRID 288 AND PREVIOUS

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Classified By: DCM Hugo Llorens for Reasons 1.4 (b) and (d)

¶1. (U) The absentee votes are in, and recounts have taken place in the most contested districts of Spain. The final electoral numbers for Spain's 350-seat Congress are as follows. The ruling Socialist party of President Jose Luis Rodriguez Zapatero (PSOE) - 169, the main opposition Partido Popular (PP) - 154, the Catalan centrist party Convergence and Union (CiU) - 10, the Basque Nationalist Party (PNV) - 6, the Catalan Republican Left (ERC) - 3, the United Left (IU) - 2, the Canaries Coalition (CC) - 2, the Galician Nationalist Bloc (BNG) - 2, the Navarran/Basque party (Na-Bai) - 1, and the new party Union, Progress and Democracy (UPD) - 1.

//TIMELINE TO FORM THE NEW GOVERNMENT//

¶2. (U) The new Congress will meet for the first time on April 1 and President Zapatero will be given the opportunity to form a government. As his party fell seven seats short of an absolute majority, Zapatero will look to enter into a pact with one or more of the smaller parties to put him over the top. Depending on the demands of each of the smaller parties, there remains the chance that Zapatero may feel he has enough of a plurality to preclude having to forge a formal pact, choosing instead to form pacts "a la carte" as each new piece of legislation comes up for a vote. Zapatero has consistently stated his preference to lead a stable government, making an "a la carte" situation less likely. The investiture debate is due to occur on April 7-8, and if all goes as planned and the King swears in Zapatero on April 9, the new cabinet of ministers would then be sworn in on April 10, and the first meeting of the new Council of Ministers would be held on April 11.

¶3. (C) No one doubts that Zapatero will end up being Spain's next president, but he may have trouble gaining the necessary 176 votes during the first round of investiture voting. This could change in the coming days, pending the results of PSOE negotiations with the smaller parties. At this time, the most likely scenario appears to be a pact with the PNV and their six seats, with the final vote to gain a majority in Parliament coming from any one or several of the numerous smaller parties that make up what is known as the "Mixed Group" (CC, BNG, IU, Na-Bai, ERC). As the leftist parties IU and ERC lost much of their power and influence with respect to the previous legislature, they probably would be willing to join Zapatero for a very small price. Reports surfaced in the press in the days following the March 9 election suggesting that the PSOE's natural partners in this new

legislature were the Basque nationalists. PNV leaders visited the Embassy on March 12 and told us that they would be favorably disposed to an alliance with the PSOE. Contrary to post-election statements in the press, the PNV leaders told us there was some flexibility in their demands for a controversial referendum on the political status of the Basque people. The officials said that the PNV realizes that it suffered a severe electoral setback on March 9, and is in no position to make unrealistic demands if it wants to repeat its participation in a Zapatero government. These sentiments appeared to be confirmed by PNV President Inigo Urkullu on March 17, when he said publicly that his party would be willing to cooperate with the Socialists over the coming months and would consider standing down on its plans for a referendum in October of this year, provided that President Zapatero make sincere efforts to discuss the status of Basque autonomy.

14. (U) Although CiU could put the PSOE over the top without having to turn to the PNV and the Mixed Group, the PSOE's allies in Catalonia handily defeated CiU in almost every Catalan province, and there would be some pushback from these allies were Zapatero to consider forming a pact. In addition, CiU's demands for senior leadership roles in both the Congress and Senate (Spain's upper house) may be a deal breaker. Finally, Zapatero could gain a majority by forming a broad alliance exclusively with the remaining smaller parties (most are nationalist and/or leftist), but most analysts have ruled this out as a repeat of the weak and unwieldy coalition the president formed during the last legislature.

//PARTIDO POPULAR LOOKS TO PICK UP THE PIECES AND MOVE ON//

15. (SBU) Despite external speculation and pressure for his resignation after a second straight national election loss, Mariano Rajoy announced on March 11 during a meeting of the

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PP's executive council that he would not resign as president of the Partido Popular. Rajoy said he would again present his candidacy for this position during the PP's National Congress in June, and the party's executive committee immediately expressed their support for the decision. Although Rajoy appears set to lead the party for the foreseeable future, he probably will look to reshuffle his team in efforts to improve the party's image. On March 13, PP Congressional spokesman Eduardo Zaplana announced that he would not remain in the post for a second term, in a move pundits and political leaders immediately signaled as the first casualty of the electoral defeat. Speculation has since arisen that the Secretary General of the party, Angel Acebes, may be on his way out as well. Zaplana and Acebes are considered right-wing members of the PP old guard, closely linked both to the Aznar administration and the controversial handling of the aftermath and investigation of the 2004 Madrid train bombings.

16. (C) In a separate announcement on March 13, centrist Madrid Mayor Alberto Ruiz-Gallardon said he had no plans to leave his position and would work for the good of the party in the coming years. After the Mayor had a public dispute with party leaders in January over his possible candidacy as Rajoy's number two, he said he would wait until after the elections to make a decision about his political future. Ruiz-Gallardon is seen as a more moderate member of the PP and has often had public disagreements with the party's more conservative members. The Mayor previewed this announcement in a private meeting with the Ambassador on March 12. Ruiz-Gallardon confirmed that he would be staying in office, and said that he would be taking steps to mend his relationship with Rajoy and hopefully return to the party's good graces. The Mayor and Rajoy were due to have lunch this week. The Mayor confirmed for the Ambassador that Rajoy was the PP's leader, as there were simply no other credible options. He said that someone like he or Madrid regional

President Esperanza Aguirre could try and take over the party, but at the risk of splitting it right down the middle. He said that Rajoy staying put was the best way to minimize damage to the PP.

17. (C) Ruiz-Gallardon said that Rajoy would now take concerted steps to mold the party more in his image and decouple it from the strong influence of Aznar. As an example, the Mayor said that Rajoy had asked Aznar not to participate in the March 11 executive council meeting. The departure of Zaplana and potentially Acebes may be further signs of Rajoy trying to distance himself from the PP's controversial past. Ruiz-Gallardon also told the Ambassador that Rajoy would take steps over the coming months to appear more "statesmanlike," and would temporarily cease his constant criticism of every Zapatero policy initiative. The Mayor also mentioned that Rajoy is considering a strategy whereby he would tell Zapatero that the PP will support him for 12 months, voting for his budget proposal and any other policy issue that does not cross PP "redlines," so that Zapatero would not need the support of the other parties. At some point the pact would dissolve and Rajoy would be free to make a public announcement saying that his party had supported the president in good faith, but that his policies were leading Spain over a cliff and they could not in good conscience continue their support.

//COMMENT//

18. (C) Both main candidates departed for separate vacations on March 14 and will return after Easter to prepare for the new legislature. We will work closely with the new government (we expect several holdovers and a few new faces) to build on the progress we have made over the past three years. President Bush's phone call to President Zapatero and reported plans for the two to chat at the NATO summit in Bucharest are receiving positive play among our Spanish counterparts and the local press, and will serve as a positive base to our relations with the new government. We also will maintain good relations with our friends in the PP, while reminding them that it is in both U.S. and Spanish interests that we work well with the government in power. It will be interesting to see whether Rajoy actually pledges his support to the government as the Mayor suggested, but we doubt that Zapatero would accept this proposition with anything but the utmost caution. Rajoy may find himself walking a fine line between acting statesmanlike and changing the tone of political discourse in Madrid, while also remaining faithful to his traditional PP supporters, over 55 percent of whom want him to lead an even harder opposition to Zapatero in the new government, according to a recent poll

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